



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1326 (1951)

January 22, 1986

SUBJECT: Limited Resource Farm Ownership (FO) and Operating (OL) Loans  
TO: All State Directors, FmHA

Purpose/Intended Outcome

This AN provides clarification of FmHA policies and procedures for making and servicing limited resource (LR) loans.

The intended outcome is to provide uniformity in administration of the limited resource program.

Comparison with Previous AN

This AN replaces AN No. 1085 (1951) issued October 24, 1984. Emphasis on use of the debt set-aside program is removed since this program is no longer available except as specified in AN 1264 (1951).

Implementation/Responsibilities

The financial problems of many FmHA farmer program borrowers and applicants are resulting in strong demand for LR assistance.

The definition of a LR borrower set forth in sections 1941.4(g) and 1943.4(g) of FmHA Instructions 1941-A and 1943-A, respectively, was not meant to be an all inclusive list of the problems that an applicant/borrower must face in order to be eligible for LR rates.

A major problem confronting many farmers is the inability to service all debts due to inadequate cash flow. The LR loan authority can be used to provide farmers with lower interest rates during a period when they are experiencing temporary debt servicing problems due to conditions beyond their control. During this period, the LR borrower is to receive special help and additional supervision from FmHA to overcome the problems which create the need for LR rates.

The LR program is intended to provide assistance to the full range of farmers who operate family farms. Any applicant who qualifies for FO/OL assistance or any existing FO/OL borrower can be considered for LR interest rates. FO/OL debts owed by FmHA borrowers may be changed to the current LR rates if the borrower meets the requirements as set forth in the above mentioned sections of FmHA Instructions 1941-A and 1943-A as appropriate. These actions should be processed in accordance with sections 1951.33 and 1951.40 of FmHA Instruction 1951-A.

EXPIRATION DATE: September 30, 1986

FILING INSTRUCTIONS: Preceding  
FmHA Instruction 1951-A



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Secretary of Agriculture, Washington, D.C. 20250

The County Supervisor will document the applicant/borrower's problems which require use of low interest rate LR loans. A realistic Farm and Home Plan or other farm budget will support the documentation. Since these borrowers require intensive supervision, special attention should be given to the use of key management practices which address the borrower's problems. County Supervisors are strongly encouraged to use available management and financial specialist contractors authorized under the Farm Credit Initiatives along with other USDA and outside resources to assist LR borrowers in overcoming their difficulties.

County Supervisors should exercise caution in making LR loans or converting existing FO/OL loans to LR rates. Rescheduling/reamortizing loans at the maximum term permissible at regular rates must be considered before using LR rates. The LR program should be used only when it is fully justified and necessary to accomplish the objectives of the loan(s) involved. Rescheduling and reamortization, both at regular and LR rates must be considered before granting a deferral.



VANCE L. CLARK  
Administrator

Sent via telemail on January 22, 1986, at 2:34 by DASD.  
The State Director will advise the Farmer Program Chief, District Directors, and County Supervisors of contents of this AN.